



**ARIZONA STATE SENATE**  
*Fifty-Fifth Legislature, First Regular Session*

**ENACTED**

**AMENDED**

**FACT SHEET FOR S.B. 1827/H.B. 2899**

revenue; budget reconciliation; 2021-2022

**Purpose**

Makes statutory and session law changes relating to general revenues necessary to implement the FY 2022 state budget.

**Background**

The Arizona Constitution prohibits substantive law from being included in the general appropriations, capital outlay appropriations and supplemental appropriations bills. However, it is often necessary to make statutory and session law changes to effectuate the budget. Thus, separate bills called budget reconciliation bills (BRBs) are introduced to enact these provisions. Because BRBs contain substantive law changes, the Arizona Constitution provides that they become effective on the general effective date, unless an emergency clause is enacted.

S.B. 1827 contains the budget reconciliation provisions for changes relating to general revenues.

**Provisions**

***Individual Income Tax***

1. Prohibits, for taxable years beginning January 1, 2021, and for taxable income subject to the income tax surcharge for public education, the combined tax rate of the income tax surcharge for public education and the highest individual income tax rate from exceeding 4.5 percent.
2. Requires, if the combined tax rate exceeds 4.5 percent, the highest individual income tax rate to be reduced so that the combined tax rate is 4.5 percent.
3. Allows the Arizona Department of Revenue (ADOR) to adopt rules to carry out the administration of the combined tax rate of the income tax surcharge for public education and the individual income tax rate and exempts ADOR from rulemaking requirements for one year to implement the combined tax rate.

***Municipal Firefighter Cancer Reimbursement Fund***  
***(Retroactive to July 1, 2021)***

4. Establishes the Municipal Firefighter Cancer Reimbursement Fund (Fund) administered by the Industrial Commission of Arizona (ICA) and consisting of:
  - a) a fee assessed and collected from cities and towns by the ICA; and
  - b) monies received from any other source, including federal monies, investment income and private grants, gifts, contributions and devises.

5. Requires the ICA to annually distribute Fund monies to reimburse municipal payors on a prorated basis based on the amount of the individual compensation and benefits a municipal payor paid for workers' compensation and benefits to a municipal firefighter or fire investigator for a disease, infirmity or impairment caused by outlined cancers presumed to arise out of employment (occupational cancer), in proportion to the statewide aggregate of all compensation and benefits paid to municipal firefighters and fire investigators for the fiscal year.
6. Requires monies in the Fund to be used to reimburse municipal payors for the following workers' compensation paid to municipal firefighters and fire investigators for occupational cancer:
  - a) temporary partial disability, permanent partial disability and lost earning capacity;
  - b) temporary total disability and permanent total disability;
  - c) medical, surgical and hospital benefits; and
  - d) death benefits.
7. Requires the ICA, beginning July 1, 2021, to assess a fee each fiscal year by July 31 to each city and town that receives state shared revenues for deposit in the Fund.
8. Caps the total amount of fees in each fiscal year for all cities and towns at \$15,000,000 and requires the share of fees to be based on a city's or town's population, as determined by the most recent population estimates of the U.S. Census Bureau as of July 1, in proportion to the total population of all incorporated cities and towns.
9. Deems the fee to be payable immediately upon assessment and requires the ICA to notify the State Treasurer if a city or town fails to pay the assessment in full by September 30.
10. Requires the State Treasurer to withhold the delinquent amount from the distribution of state shared revenue to a city or town that fails to pay the assessment in full until the city or town has paid the entire amount.
11. Prohibits the ICA from reimbursing expenses relating to case management, vocational rehabilitation or similar nonmedical costs.
12. Requires the prorated share to be distributed to entitled municipal payors without regard to the order in which the respective compensation and benefits were paid in the fiscal year.
13. Specifies that monies in the Fund are continuously appropriated and are exempt from lapsing.
14. Specifies that all monies paid to the ICA or withheld by the State Treasurer for the fee assessment be deposited in the Fund.
15. Allows a city or town to meet the fee assessment obligation from any city or town revenue source designated by the city or town.
16. Excludes city and town fee assessment payments from the applicable expenditure limits.

17. Requires the ICA, by January 1, 2022, to adopt rules to carry out the fee assessment and distribution of monies for municipal firefighter cancer reimbursement.
18. Requires the ICA, by April 1, to annually submit a report to the Legislature and the municipal payors reimbursed from the Fund on the Fund's financial status that includes the:
  - a) total number of Fund reimbursement claims the ICA received in the immediately preceding fiscal year;
  - b) number of Fund reimbursement claims approved, the total dollar amount of Fund reimbursement claims paid and the amount reimbursed to each municipal payor for the immediately preceding fiscal year; and
  - c) amount of any anticipated surplus in the Fund.

***ADOR***  
***(Retroactive to July 1, 2021)***

19. Repeals the requirement that ADOR assess and collect fees from cities, towns, counties, councils of governments and regional transportation authorities to recover a portion of administrative, program or other operating costs incurred in providing administrative and collection services to local governments.
20. Repeals the requirement that ADOR assess a fee to each:
  - a) city, county and town that receives state shared revenues from the transaction privilege tax distribution base or the Urban Revenue Sharing Fund;
  - b) council of governments that receives county transportation excise tax revenues; and
  - c) regional transportation authority located in a county with a population of 400,000 persons or more that receives county transportation excise tax revenues.
21. Repeals the permissive authority of a local government to meet their cost sharing obligation from any source of revenue designated by the appropriate county, city or town.

***Arizona Department of Veterans Services (ADVS)***  
***(Retroactive to January 1, 2020)***

22. Extends the deadline for ADVS to accept Veterans' Income Tax Settlement Fund (VITS Fund) claims from December 31, 2019, to December 31, 2022.
23. Extends the date that the remaining monies from the VITS Fund revert to the state General Fund (state GF) from June 30, 2021, to June 30, 2023.
24. Extends the last date in which ADOR must annually report on the VITS Fund from October 1, 2021, to October 1, 2023.
25. Delays the repeal of the VITS program from January 1, 2022, to January 1, 2024.

***City of Flagstaff***

26. Requires, retroactive to July 1, 2021, the Arizona Department of Administration (ADOA) to assess and collect \$1,110,992 from the City of Flagstaff in FY 2022 to reimburse the state for costs attributable to the establishment of a minimum wage that exceeds the statutory minimum wage.

***Arizona Department of Gaming (ADG)***

27. Continues to require the ADG, in FY 2022, to establish and collect, in addition to amounts already authorized, a regulatory assessment from each commercial racing permittee in the amount of 0.5 percent of the amounts wagered, payable from pari-mutuel pools from in-state and out-of-state live and simulcast races.

***Arizona Department of Agriculture (AZDA)***

28. Continues to allow AZDA to continue, increase or lower existing fees from FY 2020 and FY 2021 in FY 2022 for services provided in FY 2022.
29. Limits additional revenues generated by the continuation, increase or reduction of existing AZDA fees to:
- a) \$218,000 for the state GF;
  - b) \$113,000 for the Pesticide Trust Fund; and
  - c) \$26,000 for the Dangerous Plants, Pests and Diseases Trust Fund.
30. Exempts AZDA from rulemaking requirements for the purpose of establishing fees until July 1, 2022.

***Counties***

31. Continues to allow counties with a population of fewer than 250,000 persons to use any source of county revenue, up to \$1,250,000, to meet any county fiscal obligation in FY 2022.
32. Continues to require a county using the flexible authority to report to the Director of the Joint Legislative Budget Committee by October 1, 2021 on:
- a) whether the county used a revenue source for purposes other than the purposes of the revenue source to meet a county fiscal obligation; and
  - b) the specific source and amount of revenues that the county intends to use in FY 2022.

***Miscellaneous***

33. Defines terms.
34. Contains a legislative intent clause.
35. Makes technical and conforming changes.
36. Becomes effective on the general effective date, with retroactive provisions as noted.

Amendments Adopted by COW

1. Prohibits, for taxable years beginning January 1, 2021, and for taxable income subject to the income tax surcharge for public education, the combined tax rate of the income tax surcharge for public education and the highest individual income tax rate from exceeding 4.5 percent.
2. Requires, if the combined tax rate exceeds 4.5 percent, the highest individual income tax rate to be reduced so that the combined tax rate is 4.5 percent.
3. Allows ADOR to adopt rules to carry out the administration of the combined tax rate of the income tax surcharge for public education and the individual income tax rate and exempts ADOR from rulemaking requirements for one year to implement the combined tax rate.
4. Establishes the Fund administered by the ICA to reimburse municipal payors for workers' compensation paid to a municipal firefighter or fire investigator for a disease, infirmity or impairment caused by occupational cancer.
5. Requires the ICA, beginning July 1, 2021, to assess a fee each fiscal year by July 31 to each city and town that receives state shared revenues for deposit in the Fund and caps the total amount of fees in each fiscal year for all cities and towns at \$15,000,000.
6. Prescribes fee collection and Fund administration and distribution requirements.
7. Prescribes ICA reporting requirements on the Fund's financial status.
8. Adds a legislative intent clause.
9. Makes conforming changes.

Senate Action

APPROP      5/25/21      DP      6-4-1  
3<sup>rd</sup> Read      6/22/21                      16-14-0

House Action

APPROP      5/25/21      DP      7-6-0-0  
3<sup>rd</sup> Read      6/24/21                      31-29-0  
(S.B. 1827 was substituted for H.B. 2899 on 3<sup>rd</sup>  
Read)

Signed by the Governor 6/30/21  
Chapter 411

Prepared by Senate Research  
June 25, 2021  
MG/ML/kn